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19 November 1953

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State Dept. review completed

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## GENERAL

### 1. Yugoslavs reportedly considering World Court appeal on Trieste:

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The Austrian ambassador to Belgrade, who recently returned to Vienna, believes that the misgivings which have thus far prevented Yugoslavia from

taking the 8 October decision on Trieste to the International Court of Justice are gradually disappearing.

Comment: The Yugoslavs may believe that an appeal to the International Court would delay implementation of the 8 October decision and thereby increase the possibility of obtaining a conference on their terms. In any case Yugoslavia could still use favorable action by the court to justify its own position.

Any delaying action by the court would probably cause a political crisis in Italy and at least postpone Italian attendance at a conference.



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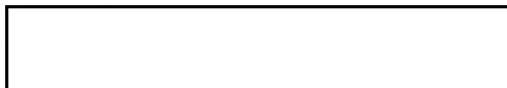
## FAR EAST

### 2. Announced merger may restore Liberal majority in Japanese Diet:

Restoration of a bare government majority in the Diet may result from the agreement reached between Prime Minister Yoshida and Ichiro Hatoyama for the latter to re-enter the Liberal Party from which he bolted last March. This will occur if 33 members of the Hatoyama faction follow his example, but there are indications that a number of the more bitter Yoshida opponents in the group will refuse to go along.

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A successful merger of the Yoshida-Hatoyama forces would exert a powerful influence on the Conservative Progressive Party, with which the Liberals have also been negotiating. An offer of one or two important cabinet posts might swing enough Progressives to give the government a comfortable majority in the Diet, and enable it to undertake necessary and long overdue economic measures.

Japanese defense planning will presumably be speeded, since Hatoyama has repeatedly conditioned his re-entry into the Liberal Party on Yoshida's acceptance of a more forthright policy on rearmament, including revision of the constitutional ban on armed forces.

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#### WESTERN EUROPE

##### 3. Monnet takes stand against steel export cartel:

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Jean Monnet, president of the Coal-Steel Community High Authority, notified representatives of the steel industries of France, West Germany, and the Benelux countries last week that the High Authority has decided to take action against the steel export cartel.

Monnet invited the industrialists voluntarily to liquidate the cartel, warning that otherwise action would be taken under the basic CSC treaty because the price agreement under which the cartel operates hampers normal competition and interferes with the High Authority's power to regulate export prices.

American officials in Paris comment that any action against the cartel would probably be initiated following the 8 December meeting of the CSC Council of Ministers.

Comment: The question of whether the High Authority has the power to void this export price agreement, made in March 1953 and reaffirmed in September, has proved highly controversial. In view of the strong belief among the producers that cartel arrangements are necessary, the matter may reach the CSC Court of Justice for a final decision.

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